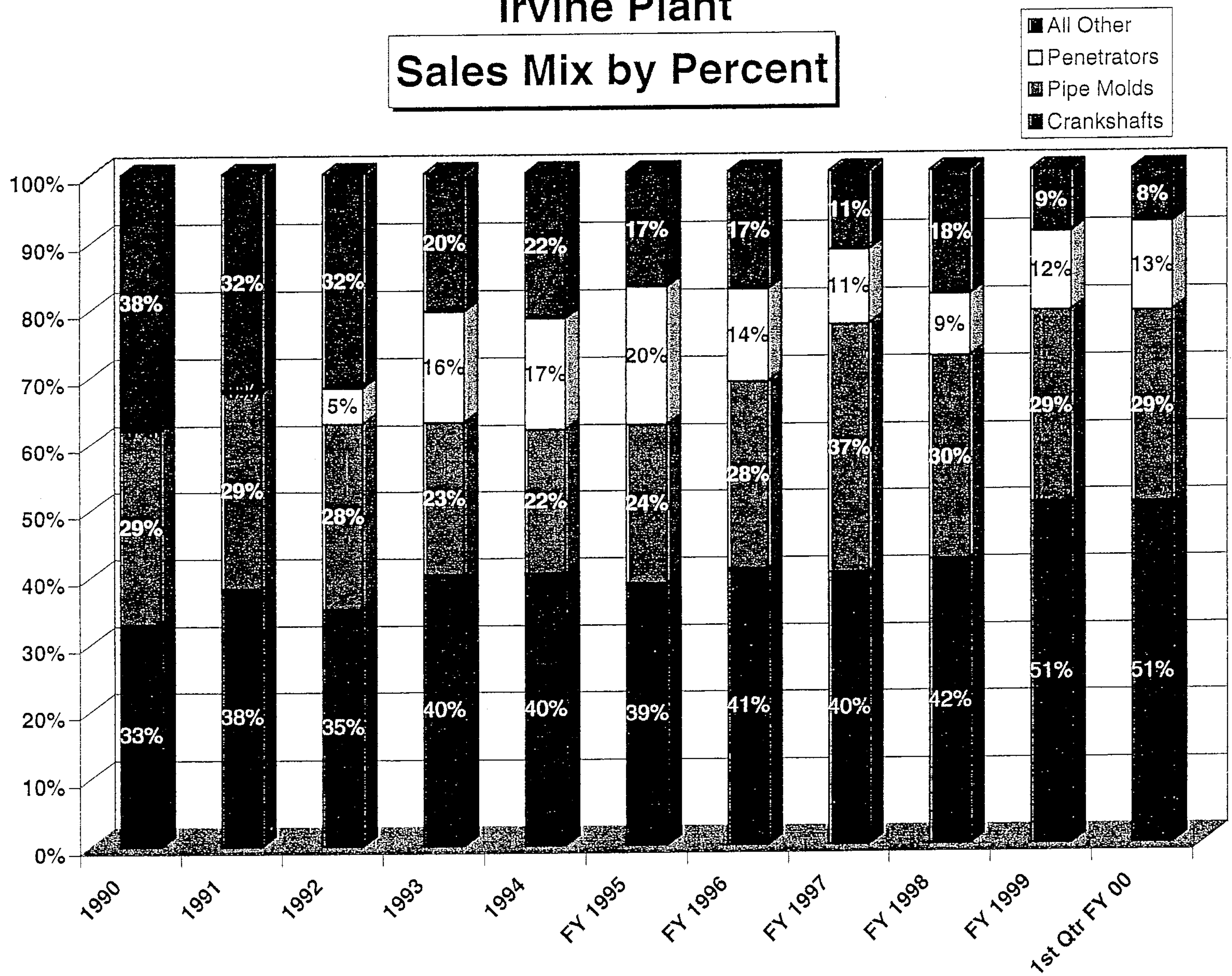
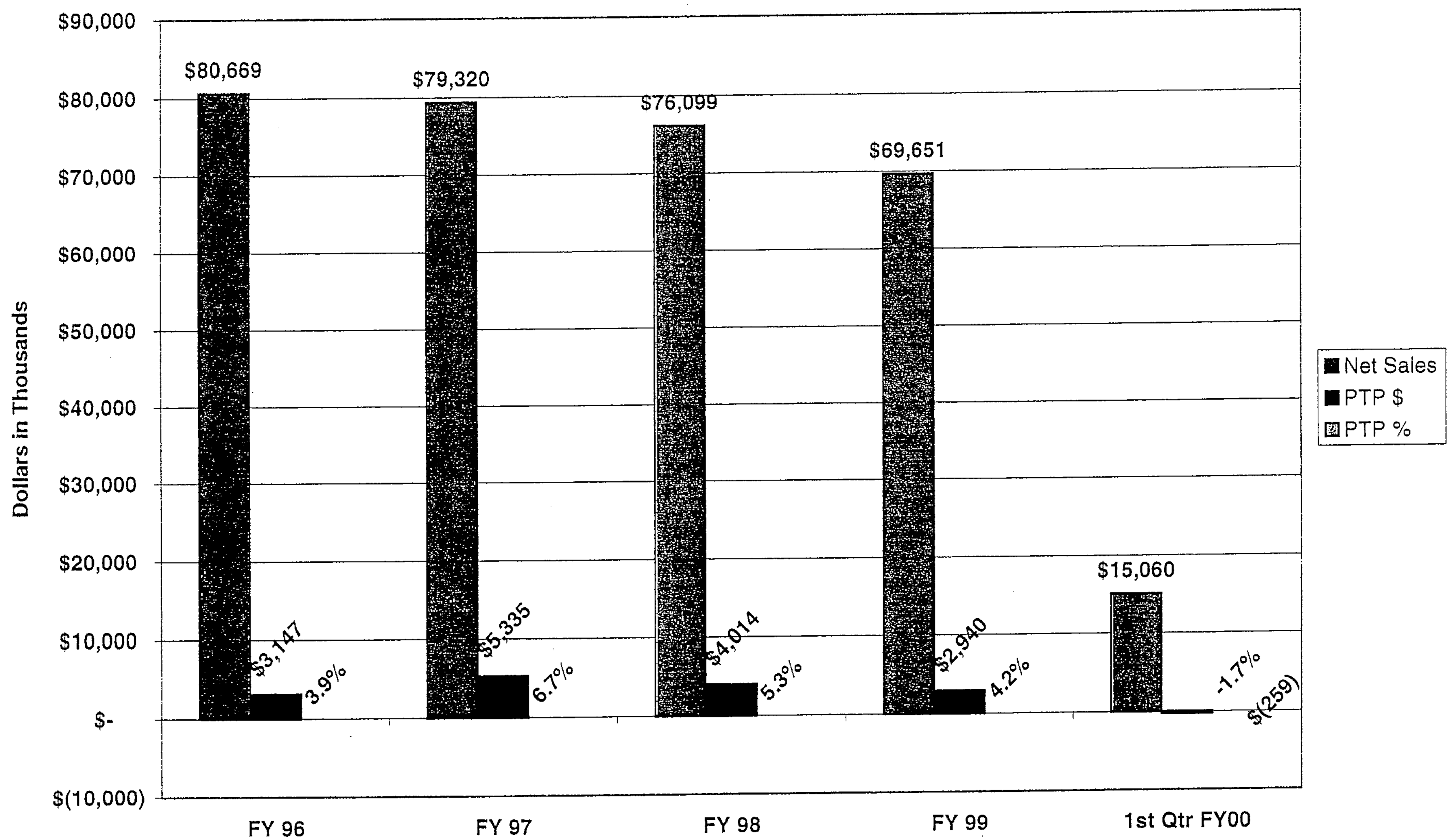
National Forge Company
Irvine Plant

Sales Mix by Percent



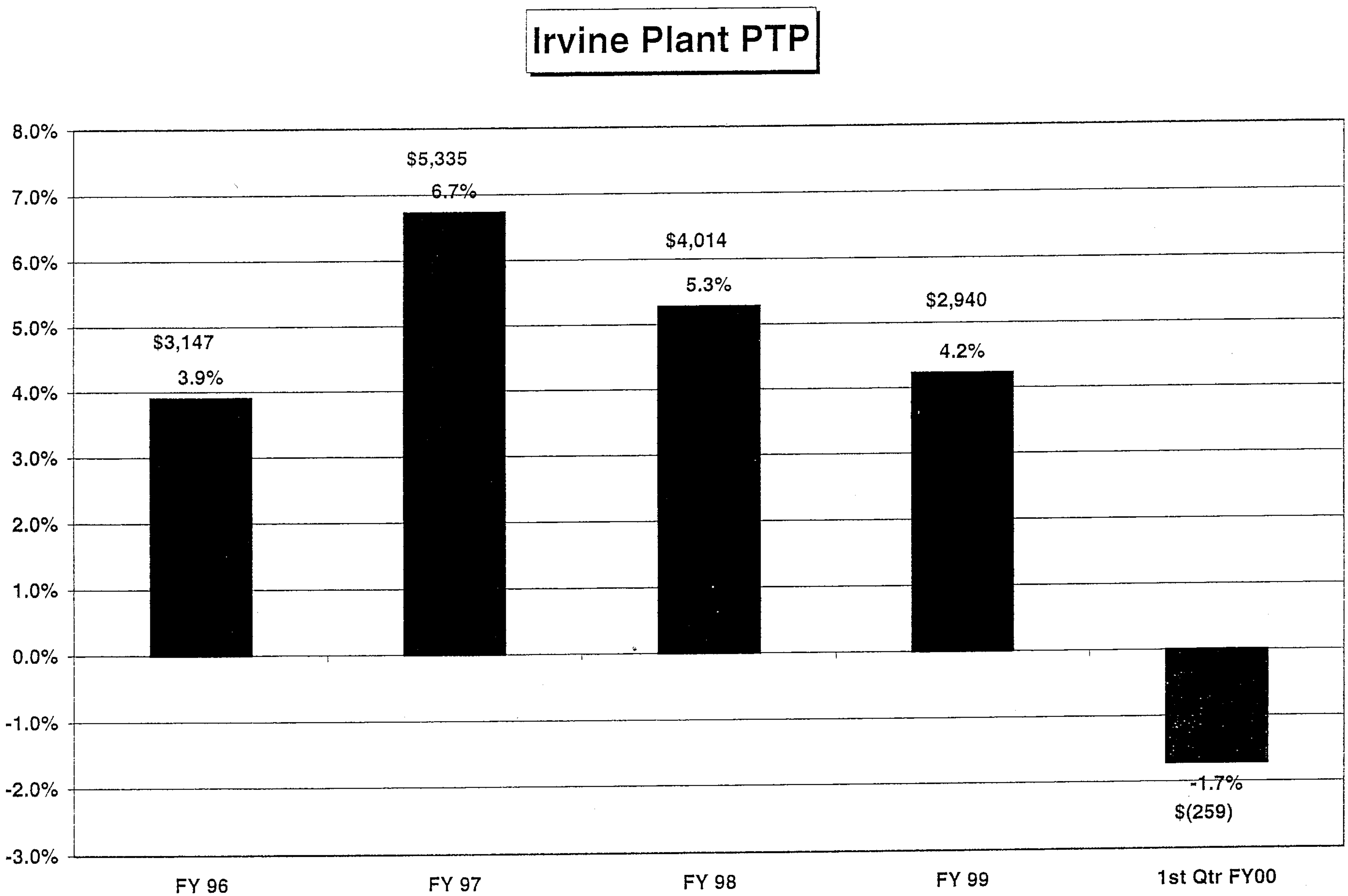
National Forge Company
Irvine Plant

Irvine Plant Sales and PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

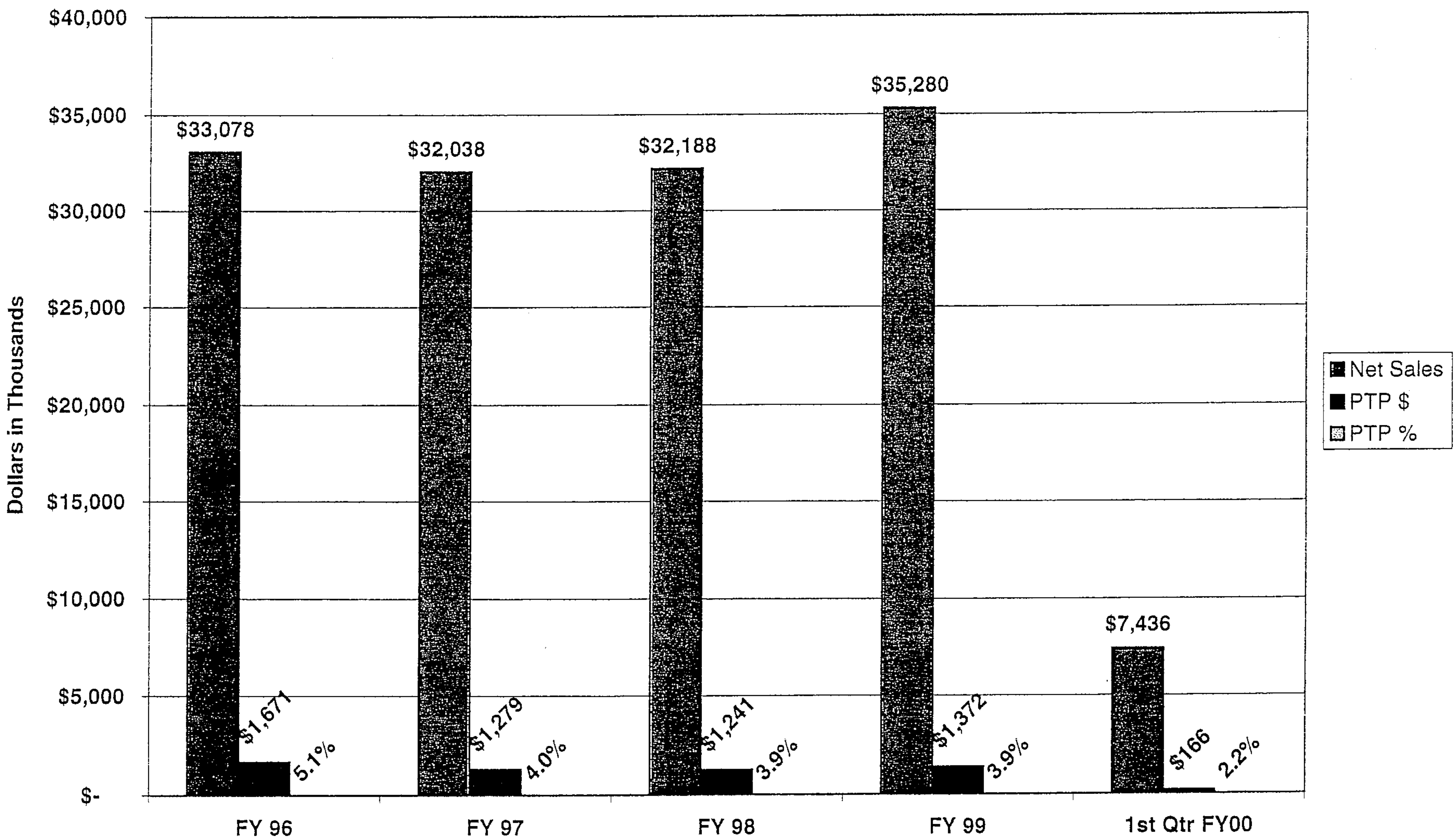
National Forge Company
Irvine Plant



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

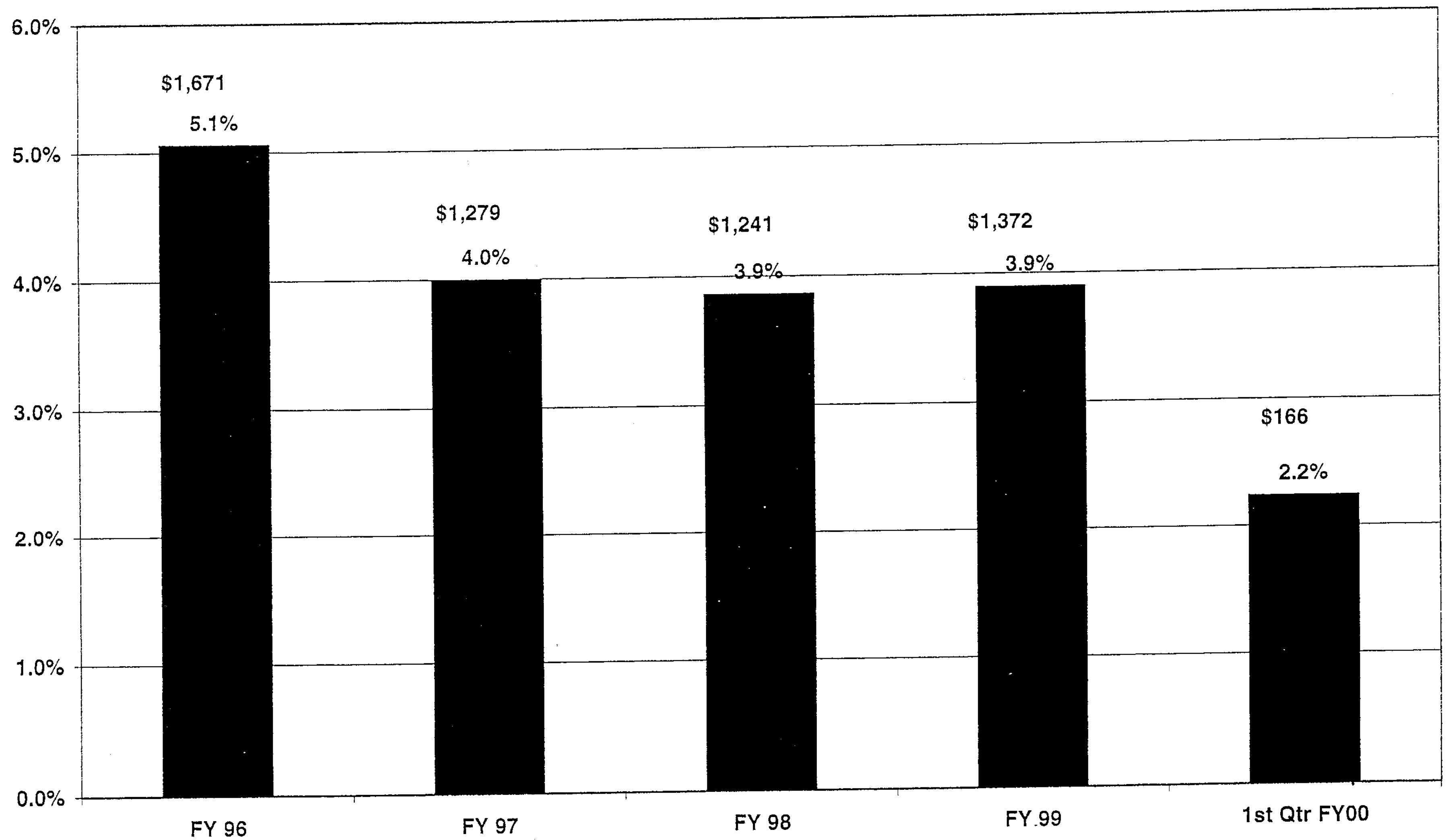
National Forge Company
Irvine Plant

Crankshaft Sales and PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

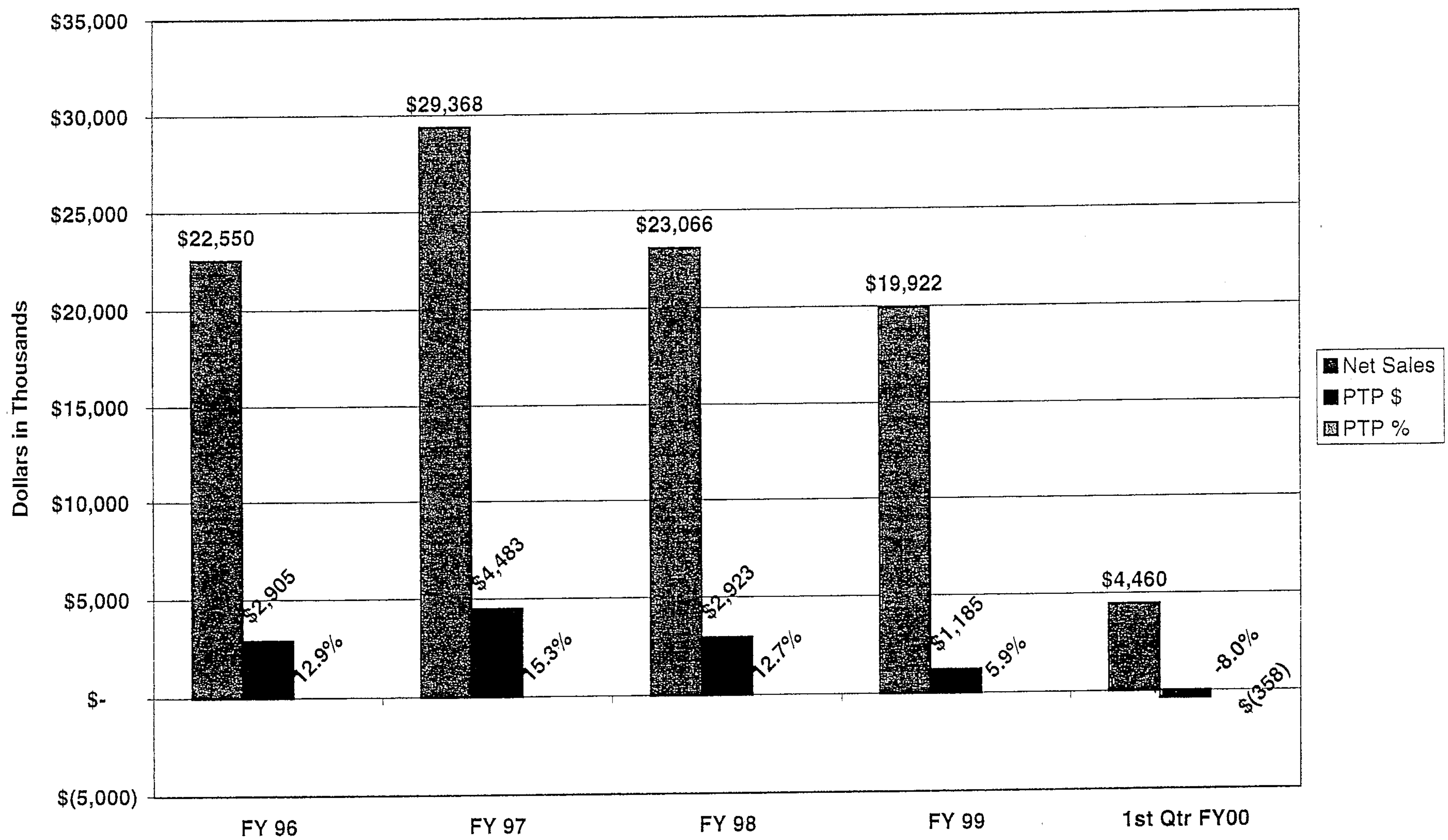
National Forge Company
Irvine Plant
Crankshaft PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

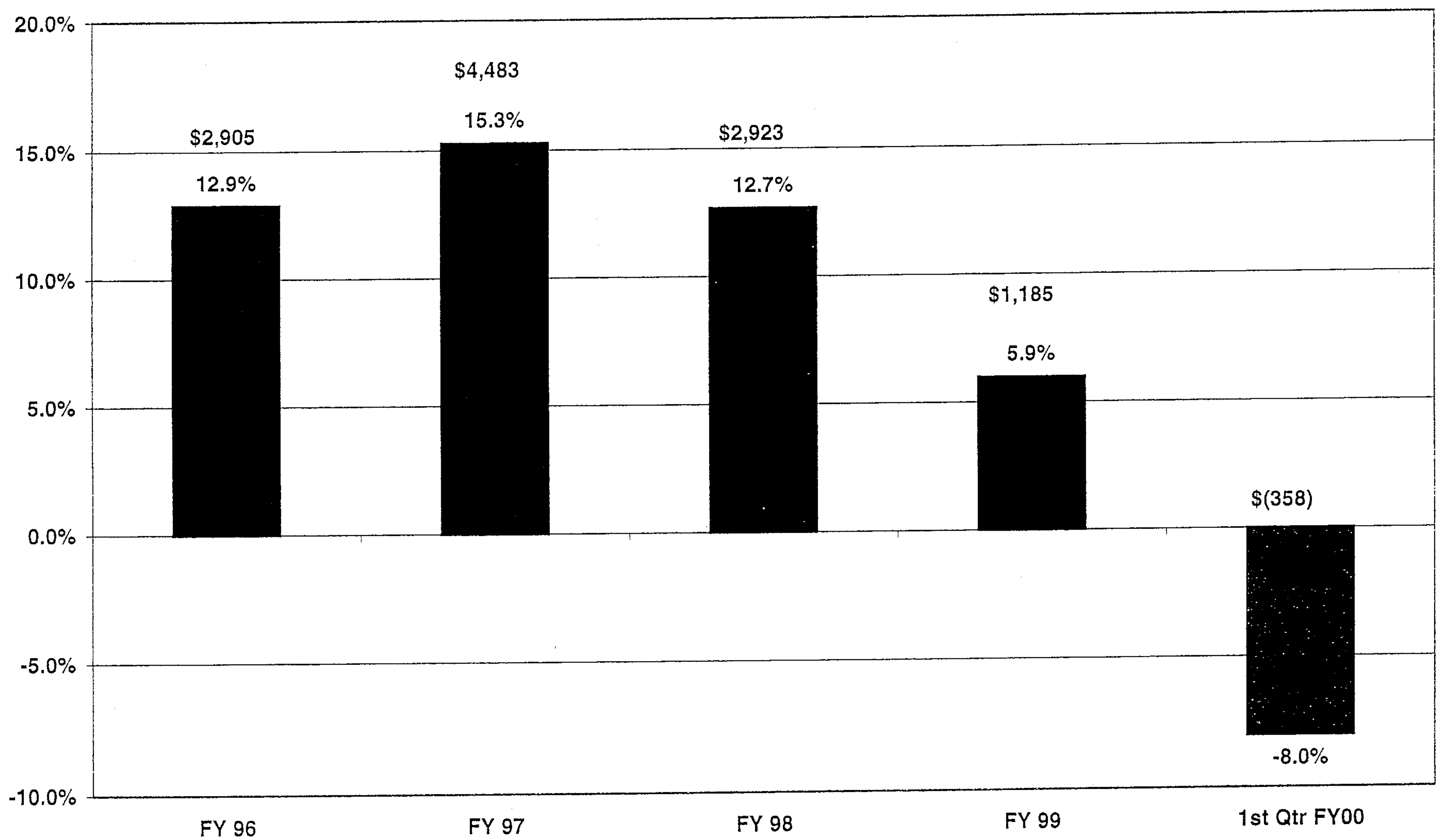
National Forge Company
Irvine Plant

Pipe Mold Sales and PTP



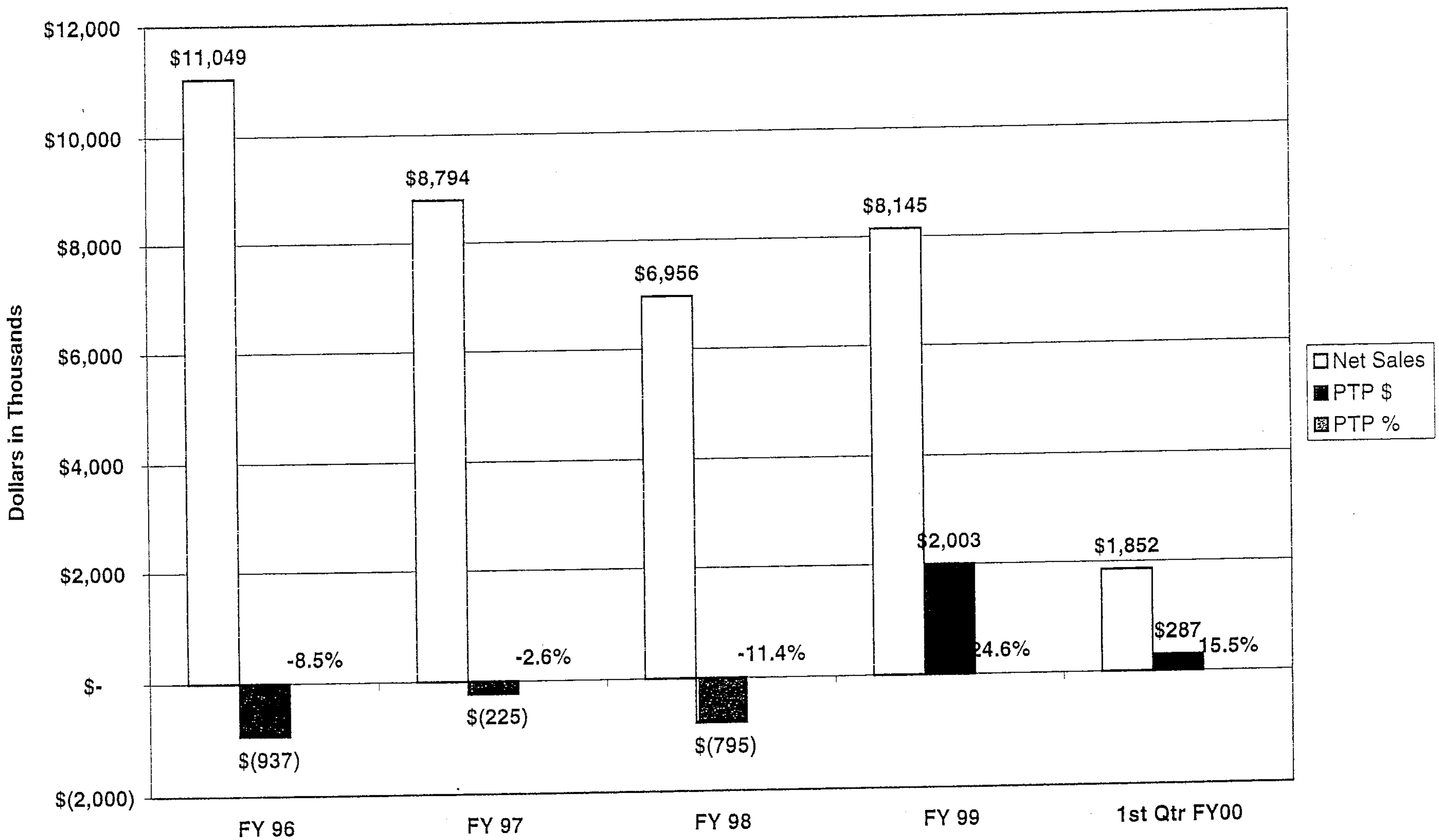
Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

National Forge Company
Irvine Plant
Pipe Mold PTP



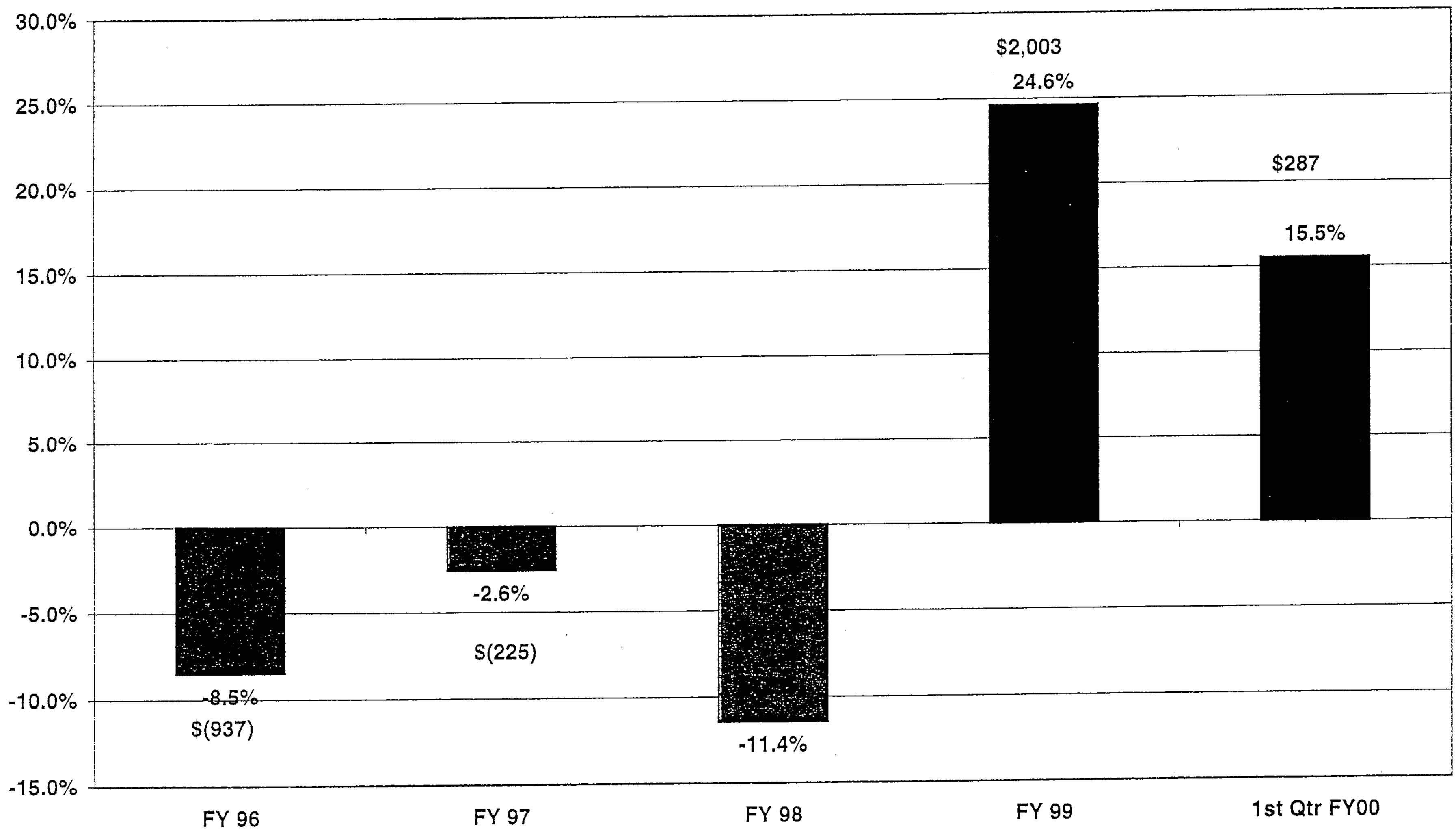
Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

National Forge Company
Irvine Plant
Penetrator Sales and PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

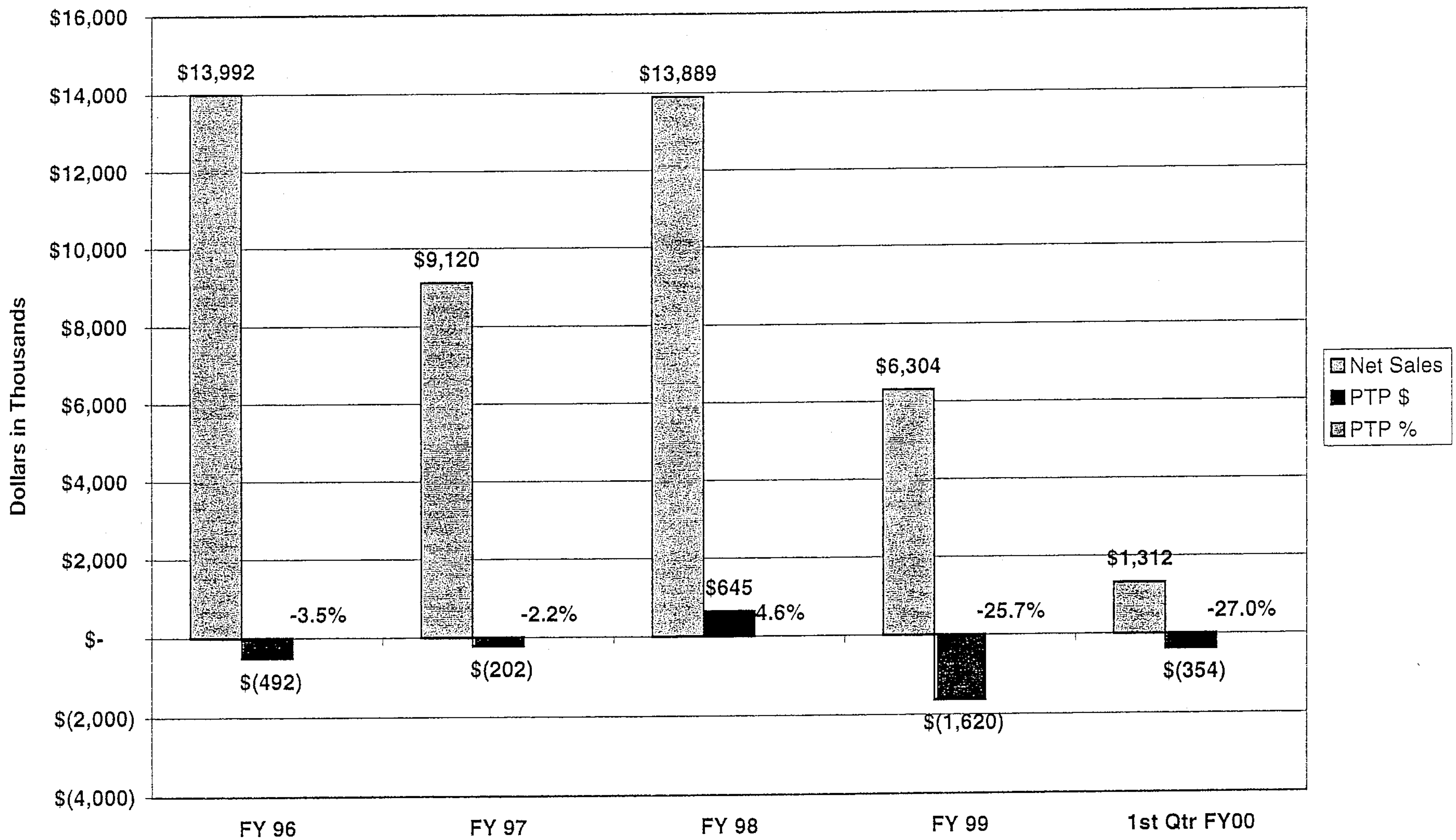
National Forge Company
Irvine Plant
Penetrator PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

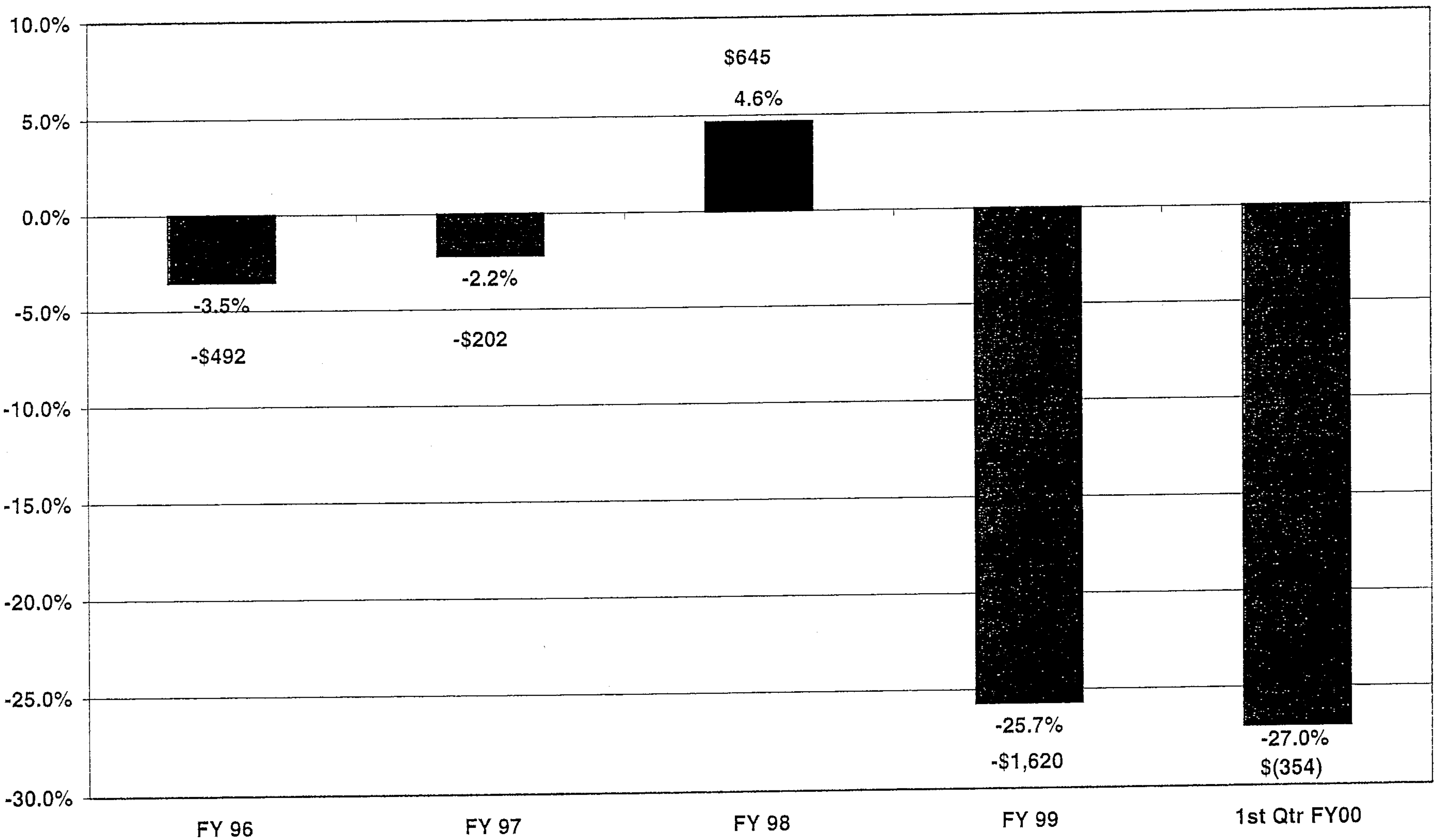
National Forge Company
Irvine Plant

All Other Products Sales and PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

National Forge Company
Irvine Plant
All Other PTP



Pre Tax Profits (PTP) prior to FY 2000 have been restated to reflect inventory calculated on a FIFO basis.

National Forge Components, Inc.
A Subsidiary of National Forge Company
Results of Operations
For the first quarter ended September 30, 1999 and September 30, 1998
(dollars in thousands)

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Sales-customers	$95	$100	($5)	(5.0) %	$48	$47	97.9 %	$636
Sales-intercompany	0	0	0	0.0	0	0	0.0	0
Net Sales	95	100	(5)	(5.0)	48	47	97.9	636
Cost of sales:								
Material	0	15	15	100.0	0	0	0.0	69
Labor	33	33	0	0.0	16	(17)	(106.3)	144
Overhead	55	33	(22)	(66.7)	19	(36)	(189.5)	135
Cost of sales	88	81	(7)	(8.6)	35	(53)	(151.4)	348
Gross profit	7	19	(12)	(63.2)	13	(6)	(46.2)	288
Administrative	19	16	(3)	(18.8)	17	(2)	(11.8)	66
Operating profit	(12)	3	(15)	(500.0)	(4)	(8)	(200.0)	222
Other expense (income)	(2)	0	2	0.0	0	2	0.0	0
Interest expense	3	0	(3)	0.0	(1)	(4)	(400.0)	0
Pre-tax profit	($13)	$3	($16)	(533.3) %	($3)	($10)	(333.3) %	$222

As a percent of net sales

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	FY 00 Business Plan
Net Sales	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%
Cost of sales:						
Material	0.0	15.0	15.0	0.0	0.0	10.8
Labor	34.7	33.0	(1.7)	33.3	(1.4)	22.6
Overhead	57.9	33.0	(24.9)	39.6	(18.3)	21.2
Cost of sales	92.6	81.0	(11.6)	72.9	(19.7)	54.7
Gross profit	7.4	19.0	(11.6)	27.1	(19.7)	45.3
Selling and administrative	20.0	16.0	(4.0)	35.4	15.4	10.4
Operating profit	(12.6)	3.0	(15.6)	(8.3)	(4.3)	34.9
Other expense (income)	(2.1)	0.0	2.1	0.0	2.1	0.0
Interest expense	3.2	0.0	(3.2)	(2.1)	(5.2)	0.0
Pre-tax profit	(13.7)	3.0	(16.7)	(6.3)	(7.4)	34.9

National Forge Components, Inc.

A Subsidiary of National Forge Company

Balance Sheet

(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Actual
ASSETS		
Current Assets:		
Cash and cash equivalents	$0	$1
Accounts receivable	62	58
Intercompany receivables	0	0
Inventories:		
Work in process	0	0
Supplies	0	0
Total Inventories	0	0
Prepaid expenses	6	6
Total Current Assets	68	65
Property, Plant and Equipment - net	85	61
Deferred Income Taxes	0	(1)
Other Assets	2	0
TOTAL ASSETS	$155	$125
LIABILITIES		
Current Liabilities:		
Notes payable	$0	$0
Current portion of long term debt	0	0
Accounts payable	1	0
Salaries, wages and commissions	3	0
Accrued taxes on income	(4)	46
Other accrued liabilities	1	2
Total Current Liabilities	1	48
Long Term Debt	0	0
Intercompany Payables	156	(19)
TOTAL LIABILITIES	157	29
SHAREHOLDERS' EQUITY		
Common Stock	1	1
Additional Paid in Capital	0	0
Retained Earnings (Deficit)	(3)	95
TOTAL COMMON SHAREHOLDERS' EQUITY	(2)	96
TOTAL LIABILITIES AND EQUITY	$155	$125
WORKING CAPITAL	$67	$17

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LLC: 10/21/99

National Forge Components, Inc.

A Subsidiary of National Forge Company

Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

(dollars in thousands)

	First quarter FY 2000	First quarter FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	($14)	($2)
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	3	2
Deferred taxes	0	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(9)	(19)
(Increase) decrease in inventories	0	0
(Increase) decrease in prepaid expenses	0	(6)
Increase (decrease) in accounts payable	(3)	0
Increase (decrease) in income taxes	2	(1)
Increase (decrease) in all other current liabilities (excluding borrowings)	(1)	(1)
Other net	(2)	0
Net Cash Provided By (Used For) Operating Activities	(24)	(27)
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	(1)	(2)
Net Cash Used In Investing Activities	(1)	(2)
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	0	0
Dividend payment	0	0
Increase (decrease) in intercompany account	25	29
Net Cash Provided By Financing Activities	25	29
Change in cumulative foreign currency translation adjustment	0	0
Increase (Decrease) In Cash And Cash Equivalents	$0	$0

NATIONAL FORGE COMPONENTS

OVERVIEW

Sales for the first quarter of FY 2000 were $95,000, which was 95% of the Business Plan. Although a Gross Profit of $7,800 was generated a pretax loss of $13,000 was reported compared to a planned profit of $3,000. This was primarily due to insufficient volume of newsrack repairs and start up costs of the newsrack business.

The crankshaft business began improving during the first quarter as we processed nearly 7.4 units per week. This is up from about 5 units per week during FY 99 although still behind GE's original projections. The current backlog of crankshafts is at 40 units and holding as GE is once again giving priority to their new engines or have decided to use new crankshafts in unit exchanged engines to reduce purchased inventory

The newsrack reconditioning business has begun gaining momentum with units processed and backlog approaching 100 units per month.

Overall our target remains for this business unit to return to profitability by the end of the second quarter.

Mitchell Shackleton & Co. LTD.
A Subsidiary of National Forge Company
Results of Operations
For the first quarter ended September 30, 1999 and September 30, 1998
(dollars in thousands)

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Sales-customers	$2,064	$1,976	$88	4.5 %	$2,018	$46	2.3 %	$8,348
Sales-intercompany	2	0	2	0.0	11	(9)	(81.8)	0
Net Sales	2,066	1,976	90	4.6	2,029	37	1.8	8,348
Cost of sales:								
Material	732	571	(161)	(28.2)	594	(138)	(23.2)	2,651
Labor	286	312	26	8.3	307	21	6.8	1,257
Overhead	643	652	9	1.4	707	64	9.1	2,609
Errors and defects	51	33	(18)	(54.5)	0	(51)	0.0	132
Cost of sales	1,712	1,568	(144)	(9.2)	1,608	(104)	(6.5)	6,649
Gross profit	354	408	(54)	(13.2)	421	(67)	(15.9)	1,699
Selling	57	64	7	10.9	71	14	19.7	266
Administrative	243	273	30	11.0	276	33	12.0	1,092
Operating profit (loss)	54	71	(17)	(23.9)	74	(20)	(27.0)	341
Other expense (income)	0	0	0	0.0	0	0	0.0	0
Interest expense	25	30	5	16.7	45	20	44.4	138
Pre-tax profit (loss)	$29	$41	($12)	(29.3) %	$29	$0	0.0 %	$203

As a percent of net sales

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	FY 00 Business Plan
Net Sales	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%
Cost of sales:						
Material	35.4	28.9	(6.5)	29.3	(6.2)	31.8
Labor	13.8	15.8	1.9	15.1	1.3	15.1
Overhead	31.1	33.0	1.9	34.8	3.7	31.3
Errors and defects	2.5	1.7	(0.8)	0.0	(2.5)	1.6
Cost of sales	82.9	79.4	(3.5)	79.3	(3.6)	79.6
Gross profit	17.1	20.6	(3.5)	20.7	(3.6)	20.4
Selling and administrative	14.5	17.1	2.5	17.1	2.6	16.3
Operating profit (loss)	2.6	3.6	(1.0)	3.6	(1.0)	4.1
Other expense (income)	0.0	0.0	0.0	0.0	0.0	0.0
Interest expense	1.2	1.5	0.3	2.2	1.0	1.7
Pre-tax profit (loss)	1.4	2.1	(0.7)	1.4	(0.0)	2.4

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Mitchell, Shackleton & Co. Ltd.

A Subsidiary of National Forge Europe Ltd.

Balance Sheet

(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Actual
ASSETS		
Current Assets:		
Cash and cash equivalents	$5	$10
Accounts receivable	2,634	3,091
Intercompany receivables	(72)	(3)
Inventories:		
Work in process	1,133	2,057
Supplies	53	63
Total Inventories	1,186	2,120
Prepaid expenses	0	0
Total Current Assets	3,753	5,218
Property, Plant and Equipment - net	3,932	4,220
Investment in subsidiaries	125	125
Other Assets	667	631
TOTAL ASSETS	$8,477	$10,194
LIABILITIES		
Current Liabilities:		
Notes payable	$715	$976
Current portion of long term debt	296	670
Accounts payable	968	1,377
Customer deposits	0	0
Deferred Income Taxes	364	376
Other accrued liabilities	23	44
Total Current Liabilities	2,366	3,443
Long Term Debt	168	483
Intercompany Payables	1,062	1,097
TOTAL LIABILITIES	3,596	5,023
SHAREHOLDERS' EQUITY		
Common Stock	2,708	2,708
Additional Paid in Capital	1,847	1,847
Retained Earnings (Deficit)	(866)	(693)
Foreign Currency Translation Adjustment	1,192	1,309
TOTAL COMMON SHAREHOLDERS' EQUITY	4,881	5,171
TOTAL LIABILITIES AND EQUITY	$8,477	$10,194
WORKING CAPITAL	$1,387	$1,775

Mitchell Shackleton & Co. Ltd.

A Subsidiary of National Forge Europe Ltd.

Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	**$29**	$29
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	**81**	89
Deferred taxes	**0**	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	**218**	(329)
(Increase) decrease in inventories	**315**	183
(Increase) decrease in prepaid expenses	**0**	12
Increase (decrease) in accounts payable	**(316)**	(339)
Increase (decrease) in customer deposits	**(27)**	0
Increase (decrease) in all other current liabilities (excluding borrowings)	**(26)**	44
Other net	**0**	(12)
Net Cash Provided By (Used For) Operating Activities	**274**	(323)
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	**(10)**	(74)
Net Cash Used In Investing Activities	**(10)**	(74)
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	**(316)**	141
Increase (decrease) in intercompany account	**32**	(3)
Net Cash Provided By Financing Activities	**(284)**	138
Change in cumulative foreign currency translation adjustment	**20**	24
Increase (Decrease) In Cash And Cash Equivalents	**$0**	($235)

Global Crankshaft Se Ltd.
A Subsidiary of Mitchell, Shac... ..n & Co. Ltd.
Results of Operations
For the first quarter ended September 30, 1999 and September 30, 1998
(dollars in thousands)

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	% Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	% Better or (Worse) Than FY 99	FY 00 Business Plan
Sales-customers	$45	$123	($78)	(63.4) %	$142	($97)	(68.3) %	$492
Sales-intercompany	0	0	0	0.0	0	0	0.0	0
Net Sales	45	123	(78)	(63.4)	142	(97)	(68.3)	492
Cost of sales:								
Material	0	5	5	100.0	0	0	0.0	22
Labor	13	39	26	66.7	52	39	75.0	156
Overhead	16	16	0	0.0	19	3	15.8	64
Errors and defects	0	0	0	0.0	0	0	0.0	0
Cost of sales	29	60	31	51.7	71	42	59.2	242
Gross profit	16	63	(47)	(74.6)	71	(55)	(77.5)	250
Selling	5	18	13	72.2	24	19	79.2	72
Administrative	29	33	4	12.1	32	3	9.4	132
Operating profit (loss)	(18)	12	(30)	(250.0)	15	(33)	(220.0)	46
Other expense (income)	0	0	0	0.0	0	0	0.0	0
Interest expense	2	0	(2)	0.0	0	(2)	0.0	0
Minority interest	(5)	3	8	266.7	3	8	266.7	12
Pre-tax profit (loss)	($15)	$9	($24)	(266.7) %	$12	($27)	(225.0) %	$34

As a percent of net sales

	First Quarter FY 2000	First Quarter FY 00 Plan	Better or (Worse) Than Plan	First Quarter FY 1999	Better or (Worse) Than FY 99	FY 00 Business Plan
Net Sales	100.0%	100.0%	0.0%	100.0%	0.0%	100.0%
Cost of sales:						
Material	0.0	4.1	4.1	0.0	0.0	4.5
Labor	28.9	31.7	2.8	36.6	7.7	31.7
Overhead	35.6	13.0	(22.5)	13.4	(22.2)	13.0
Errors and defects	0.0	0.0	0.0	0.0	0.0	0.0
Cost of sales	64.4	48.8	(15.7)	50.0	(14.4)	49.2
Gross profit	35.6	51.2	(15.7)	50.0	(14.4)	50.8
Selling and administrative	75.6	41.5	(34.1)	39.4	(36.1)	41.5
Operating profit (loss)	(40.0)	9.8	(49.8)	10.6	(50.6)	9.3
Interest expense	4.4	0.0	(4.4)	0.0	(4.4)	0.0
Minority interest	(11.1)	2.4	13.6	2.1	13.2	2.4
Pre-tax profit (loss)	(33.3)	7.3	(40.7)	8.5	(41.8)	6.9

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Global Crankshaft Services Ltd.

A Subsidiary of Mitchell, Shackleton & Co. Ltd.

Balance Sheet

(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Actual
ASSETS		
Current Assets:		
Cash and cash equivalents	$0	$0
Accounts receivable	122	121
Intercompany receivables	0	0
Inventories:		
Work in process	0	0
Supplies	3	0
Total Inventories	3	0
Prepaid expenses	3	3
Total Current Assets	128	124
Property, Plant and Equipment - net	91	117
Investment in subsidiaries	0	0
Goodwill	69	75
TOTAL ASSETS	$288	$316
LIABILITIES		
Current Liabilities:		
Notes payable	$66	$17
Current portion of long term debt	0	0
Accounts payable	79	90
Accrued taxes on income	(7)	3
Customer deposits	25	0
Other accrued liabilities	0	0
Total Current Liabilities	163	110
Long Term Debt	0	0
Intercompany Payables	0	46
TOTAL LIABILITIES	163	156
Minority Interest	30	37
SHAREHOLDERS' EQUITY		
Common Stock	125	125
Additional Paid in Capital	0	0
Retained Earnings (Deficit)	(26)	(6)
Foreign Currency Translation Adjustment	(4)	4
TOTAL COMMON SHAREHOLDERS' EQUITY	95	123
TOTAL LIABILITIES AND EQUITY	$288	$316
WORKING CAPITAL	($35)	$14

Global Crankshaft Services Ltd.
A Subsidiary of Mitchell, Shackleton & Co. Ltd.
Statement of Cash Flows
Period Ended September 30, 1999 and September 30, 1998
(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	**($9)**	$9
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	**6**	6
Amortization	**2**	2
Deferred taxes	**0**	0
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	**(35)**	(97)
(Increase) decrease in inventories	**0**	0
(Increase) decrease in prepaid expenses	**(1)**	6
Increase (decrease) in accounts payable	**35**	40
Increase (decrease) in income taxes	**(5)**	3
Increase (decrease) in customer deposits	**1**	0
Increase (decrease) in all other current liabilities (excluding borrowings)	**0**	0
Other net	**(8)**	5
Net Cash Provided By (Used For) Operating Activities	**(14)**	(26)
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	**0**	0
Net Cash Used In Investing Activities	**0**	0
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	**14**	5
Increase (decrease) in intercompany account	**0**	26
Net Cash Provided By Financing Activities	**14**	31
Change in cumulative foreign currency translation adjustment	**0**	(5)
Increase (Decrease) In Cash And Cash Equivalents	**$0**	$0

MITCHELL, SHACKLETON & CO. LTD.

QUARTERLY REPORT TO NATIONAL FORGE COMPANY BOARD OF DIRECTORS

OCTOBER, 1999

1. FINANCIAL UPDATE

3 MONTHS ENDED SEPTEMBER, 1999

£000's

1st Quarter FY 1999 Actual		1st Quarter FY 2000 Actual	1st Quarter FY 2000 Business Plan
£1,226	Sales	£1,291	£1,220
£255	Manufacturing Profit	£221	£249
20.8%	% of Sales	17.1%	20.4%
£45	Trading Profit	£33	£42
£18	Net Profit	£17	£24
1.5%	Return on Sales	1.3%	2.0%
2.4%	Return on Net Assets	2.2%	3.1%
£1,252	Net External Borrowings	£716	£878
£4,312	Capital Employed	£3,802	£4,004

The first quarter of FY2000 ended with disappointing trading results compared to Business Plan. A shortfall in September sales arising from a sustained period of poor bookings in the latter half of FY99 was aggravated by a high level of under-recoveries in the month resulting in a loss for September.

At this stage we do not propose to revise our forecasts for the year but will obviously review the position constantly.

When compared with the previous year, the cash position has eased considerably with external borrowings being over £500,000 lower than at the end of the first quarter of FY99.

2. OPERATIONAL REVIEW

2.1 General

The main operations challenge currently facing the Company is the management of labour to address the changing requirements brought about by an upsurge in activity from both flanges and sub-contract machining. In order to resist the temptation of recruiting additional labour, greater flexibility and co-operation from the workforce is required together with more innovative solutions from Management as we manage the process of change. At all times it is vital that we do not lose our focus upon the core-activity particularly in the case of Rolls Royce and that as a minimum we avoid increasing costs.

Following the decision to upgrade the Company's GFM profile milling machine capabilities, we have encountered unexpected difficulties in satisfactorily financing this project and this is now the focus of considerable Management attention. It cannot be over emphasised that this upgrade is of vital importance not only to the Company's future development but ultimately to its survival and it is imperative that both National Forge and Mitchell, Shackleton combine resources to produce a solution.

3. MARKETING UPDATE

3.1 Customer Requirements

We have signed a five-year agreement with Rolls Royce Package Systems Supply, which effectively entitles us to be their sole crankshaft supplier for the duration of the Agreement, although due to European community regulations, the Agreement only guarantees us seventy percent. Their new 5000 series engine continues to be in high demand in the market and they are currently pre-provisioning at the rate of one crankshaft per week. Rolls Royce are the only engine builder currently forecasting immediate, significant growth in the larger medium speed power generation sector. This is due to the size of the engine in relation to power output and the environmentally friendly nature of the engine, which puts them several years ahead of competitors. Their current forecast would result in us receiving orders valued at £4 million per annum within five years. They advised us that this forecast is understated as it does not allow for them penetrating the marine sector, which they have now targeted.

In general, the traditional business continues to be extremely depressed. On a recent visit to M.A.N. in Augsburg, Germany, who are one of the top two medium speed engine builders in the world, we were advised that they are currently operating at less

than seventy percent capacity and are currently in the process of laying-off ten per cent of the workforce. The Alstom Diesel Group, comprising Mirrlees Blackstone, Ruston Diesels and Paxman Diesels are still for sale. M.A.N. have now dropped their interest; Rolls Royce now appear to be the front runner.

3.2 Competition

On the recommendation of the Purchasing Manager at Wartsila Diesels in Turku, we have contacted Skoda in the Czech Republic to ascertain if they are prepared to sell us Wartsila 46 rough machined crankshaft forgings. Skoda stated that they need to examine the situation to ensure that it did not hurt their own finish machining orders but if it assisted in taking orders away from Kobe Steel, they would be prepared to sell to us. We await feedback on this situation. Skoda continues to be the main competitor in the larger range and are currently depressing prices to ridiculous levels. It was recently announced that the Skoda Group are making extremely high losses and are looking for investors. One would assume that such low prices cannot continue indefinitely.

3.3 Current Developments

3.3.1 Core Activity

We continue with our efforts to penetrate the smaller low volume end of the medium speed diesel engine market. Price in most cases is the major obstacle to overcome.

Currently we are examining ways of increasing our share of aftermarket business which carries a much healthier profit margin than selling crankshafts to original equipment manufacturers One area of expansion is through a joint venture with a U.K. diesel engine spares trading company, who intends to purchase second-hand crankshafts in India which we would inspect, repair and pack for sale into the aftermarket with the profits being shared equitably.

3.3.2 New Products

Alstom Electrical Machines in Rugby have now closed their machining facility and are sub-contracting the finish machining of all their generator shafts. We are currently their main supplier of this service and there is a willingness on both sides for this relationship to grow. For the next two to three months we will continue the business in its present form, then it is planned to meet and formulate a three year agreement which will entail the complete supply of the shafts, inclusive of the forging element.

3.3.3 Crankshaft Repairs

The repair of the Paxman Valenta/Ventura range of crankshafts is progressing well and the first re-nitrided shafts have been repaired successfully and show good profit margins. A meeting was held recently with the U.K. Ministry of Defence, who utilise this type of engine as auxiliary power on most of their ships. They have now placed repair orders with us through Adtranz.

We recently held a meeting with Bukaka Power, who are the major repair company for stationary power generation equipment in Indonesia. They advise us that there are several large crankshafts throughout the country requiring repair or replacement and based upon pricing information we submitted to them they will try to obtain orders and ship the crankshafts to us.

3.3.4 North West Flanges

It is pleasing to report that since the recruitment of Trevor Pallant we have seen a significant upturn in business in the last two months despite the market remaining difficult. This improvement should reflect positively in the profit and loss account from the second quarter, and we are hopeful that having applied increased resources to this activity, together with an improvement in the price of oil, this will result in this division exceeding its Business Plan expectations in the current year.

3.3.5 Crankshaft In-Situ Repairs

Global Crankshaft Services Ltd. has continued to record disappointing results in the first quarter of FY2000. A crisis meeting revealed that our "specialists" were inadequately trained and as a result lacked confidence in the field which in turn has led to a few jobs being performed below the acceptable standard.

Having recognised this problem, corrective action is being taken and greater temporary use is being made of an experienced Belgian specialist whilst we get our house in order. In addition greater emphasis is being directed at the marketing operation to generate more business, and to this end we are now seeing more signs of increased market activity.

The most significant development currently being explored is the possibility of entering into a Joint Venture with a well established ship repair company based in Singapore. If successful this opportunity, which has been agreed subject to contract, should generate profits in excess of £100,000 in FY2000 thereby enabling Global to develop properly.

I. Thomas
Managing Director

IT/BE
18 October, 1999

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